

# RELATIONSHIP MARKETING: EXPLORING THE WESTERN AND CHINESE FIRMS' SUCCESS STORIES

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## Abstract

*The present paper attempts to explore the underlying mechanism between Western relationship marketing and Chinese firms and their success stories. Paper presents concepts of relationship marketing and its elements by tracing its four major eras of evolution. Paper focuses on Western and Chinese concepts of relationship marketing by introducing the success stories of Haier, Tesco and ASDA companies. Finally, it concludes by discussing the managerial implications for international marketers who wish to succeed in the Chinese business market and the importance of adapting Western relationship marketing principles.*

**Key words:** Relationship marketing, Western and Chinese firms, emerging dimension

## Introduction

Relationship marketing was first coined as construct of direct response marketing campaigns which focused more customer retention and satisfaction not on sales. Consequently, as a practice, relationship marketing recognizes the long term value of customer relationships and extends communication beyond intrusive advertising and sales promotional messages. Relationship marketing was at first considered as an alternative to conventional marketing, more appropriate in marketing services, where consumers were

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diverse, where purchaser and seller were both participative, and where communication and associations were significant. But, at present, relationship management is evolving as an “umbrella philosophy” i.e. it has many deviation with respect to relationship with customers (Fernandes, 2008). Marketing has always been seen as communicating company’s messages to the ultimate consumers across the market and to position products to reach out customers (Egan, 2001). Relationship management is based on building a long term sustainable relationship with client and believing in converting prospective customer into business partner. Customers are no more a group of people. They are all different and love to be treated on individual basis. Relationship marketing is aimed at making customers feel special and distinct from others.

### **Elements of Relationship Marketing**

Firms build long-term relationships by gathering information about their customers, analyzing and using the data to modify the marketing mix, monitoring interactions with customers, and using knowledge of customers and their preferences to orient every part of the organization.

### **The Relationship Marketing Continuum**

In theory and practice of relationship marketing, firms try to move buyer-seller relationship from the lowest to the highest level of the continuum of relationship marketing to strengthen the mutual commitment between them.

#### ***First Level: Focus on Price***

- Most superficial level, least likely to lead to long-term relationship.
- Marketers rely on pricing to motivate customers.
- Competitors can easily duplicate pricing benefits.

### *Second Level: Social Interactions*

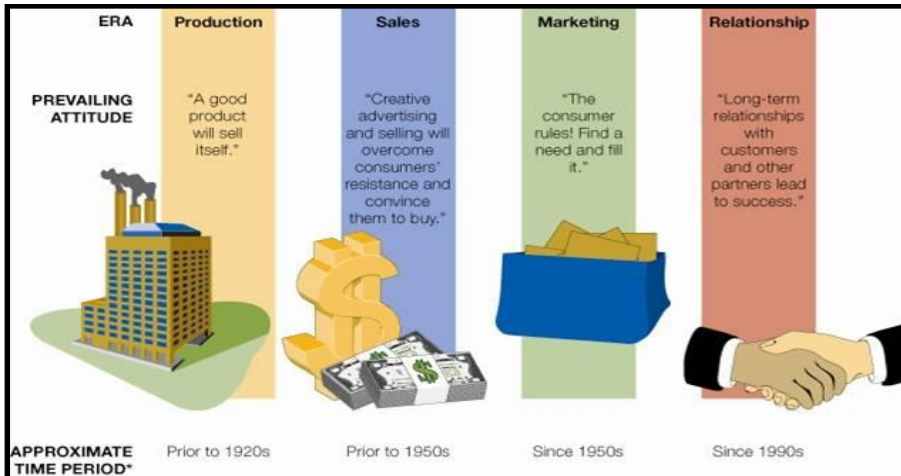
- Customer service and communication are key factors.
- Example: firms organize social events to promote products and interact with community.

### *Third Level: Interdependent Partnership*

- Relationship transformed into structural changes that ensure partnership and interdependence between buyer and seller.

Relationship marketing has evolved into four phased from production of goods and services, focusing sales then marketing and now customer relationship, see figure 1.

**Figure 1 Eras of Marketing Conceptions**

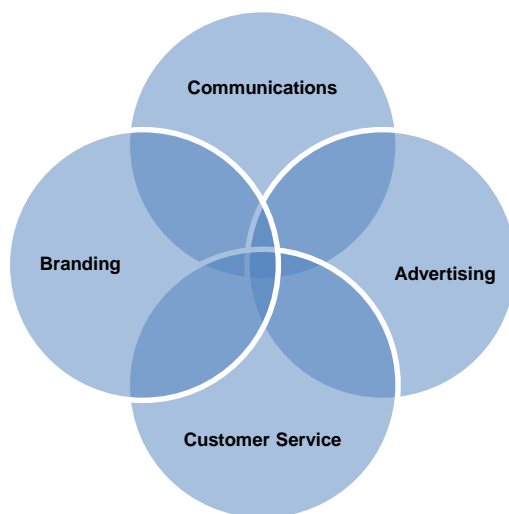


Putman (1995) identified a growth of individual patterns of consumption and the growth of different groupings such as lifestyles, subcultures, consumer tribes, brand communities, and resistance movements. Firat and Schultz (1997) supported earlier study and found it leading the potential merger of the consumer and producer which permits greater customisation opportunities for the marketer. On the other hand companies aim to reach as many

people as possible-products that everyone buys. Example: Coca-Cola, Burger King or K-mart. Similar trends appear in electronic media broadcast networks (BBC, CNN, ABC, CBS, Hotmail, Google, Facebook). Since mass marketing is a cost effective due to economies of scale and has greater reach companies may lose on to some profitable segment.

The return on relationship model (Gummesson, 1999) explains the benefits of relationship marketing. Most common model of relationship marketing depicts the brand or products produced by manufactures and communicated to customers through advertising which is treated as customer service to keep them informed and followed by providing long-term customer service for repair and replacement of products, see figure 2. This model portrays how producers can create and maintain lasting relationship with valued customers which delivers both customer satisfaction and quality products to earn retain customer loyalty which in turn increases profitability.

**Figure 2 Integration of Relationship Marketing**



Relationship Marketing is above and beyond a discrete transaction. It is basically better understanding of consumer with outlook to maximising returns supplemented by individual participation and modified service. It advocates the concept of adding a life time value for customers.

### **Western and Chinese firms' strategies**

Haier is most high profile Chinese company which believes in establishing and maintaining relationship with valued customers across the world. The company is now known to us and them which promotes global brand. The company made strategic decision to go global and begin internationalisation just from 1986 just after two years of its foundation in 1984. In very limited time Haier has earned huge customer loyalty and brand commitment across the continent. When Zhang Ruimin took control of loss-making refrigerator enterprise QGRF and incorporated as group of companies 1991 as market leader in China and expanded it to rest of the world. Haier's sales increased by 73% per annum through 1984-2002 and recorded \$9.7 billion volume in 2003 by capturing 30% of US market in small fridges and 10% Europe's air-conditioner market. Haier is known as the 4<sup>th</sup> largest white goods manufacturer after Whirlpool/Electrolux /Bosch-Siemens.

If we take the examples of the two super markets i.e. Tesco and ASDA we will witness a lot of programs going on for achieving customer loyalty but in a different manner. Tesco values its permanent customers where as ASDA have an undifferentiated strategy. Tesco offers most of the promotional offers for its member customers i.e. customers who have previous purchaser record. These customers:

- Get cheaper prices as compared to non-member consumers.
- With every purchase they make points which can be changed as gift cash card.

- They can be benefitted with different services like, free delivery, free gifts, hassle free order, secure payment online.
- The best service from Tesco is Tesco Club Card which makes consumers very special customers for the company.

On the other side, ASDA offers promotional discounts for all the customers to attract more and more customers. The offers of ASDA are:

- The best services ASDA provides to all member and non member consumers is free bus services from some places to particular stores.
- This has become more convenient and popular to most of the consumers.
- ASDA also provides variety of products as Tesco does with reasonable prices.
- Most of the ASDA stores are really huge where consumers find almost every product of their needs.
- Both member and non member consumer can order online and to the stores and can get delivered to their home.
- The main drawback of ASDA is that it is only available to some places which are far from reach to most of the consumers.

Both Tesco and ASDA try to build a relationship with their customers but with different approaches. Tesco focuses more on retaining customers for a long time whereas, ASDA believes in attracting more customers and getting more foot fall in the shop. ASDA have one strategy for all consumers irrespective of their past record.

## **Conclusion**

Customers are like the ones who get the wheels of any company

going. Despite having the best products in town firms can't do anything if consumers have a negative perception either about the company or the product. Customers don't just purchase a product, they buy the experience, they buy the name, and this can only be established by having a healthy relationship with the valued customers. Attracting new customers may take a lot of money and effort but retaining them is only possible with establishing a lasting relationship.

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